

A Message from the Commissioner

One of the responsibilities of the North Carolina Department of Insurance is to keep the insurance buying public informed of important issues. The purpose of this brochure is to help consumers better understand “cancer” insurance. I believe you will find this guide to be informative and helpful.

Your Department of Insurance is available to help guide you through these complicated matters. I want every North Carolinian to know that help is available by calling our toll-free number, 1-800-546-5664.

What is “Cancer” Insurance?

As its name implies, cancer insurance provides benefits only if you are diagnosed with cancer (as defined by the terms of the policy contract). These policies offer limited benefits for the actual diagnosis, and/or treatment of cancer. Cancer insurance policies may offer a lump sum benefit upon diagnosis. However, most cancer policies provide benefits based upon specified health care costs and expenses incurred in conjunction with the treatment of cancer. Premium rates for cancer policies that provide higher benefits and more comprehensive coverage are usually higher than premium rates for lesser benefit policies. In addition, premiums may increase as you get older or may increase if total policyholder claims increase beyond the company’s expectations.

Cancer insurance is sometimes referred to as a specified disease or dreaded disease policy. Typically, policy contract provisions found in this type of coverage are very specific and limit benefits to narrowly defined covered illness and/or injury. Examples of other specified disease policies are heart attack or stroke policies. Specified disease policies generally exclude benefits for any disease or sickness that is diagnosed prior to the policy effective date. The information in this booklet applies to cancer insurance; however, it is also applicable to other specified disease policies.

Do I Need Cancer Insurance?

If you are considering the purchase of cancer insurance or other specified disease type coverage, it is a good idea to carefully review your current health insurance policies and determine what your expected out-of-pocket treatment costs (non-covered expenses) will be if you suffer from cancer or other diseases. If you do not have comprehensive health insurance coverage, you should consider purchasing a comprehensive health plan prior to purchasing specified disease / limited benefit coverage.

If you are covered under Medicare and desire additional insurance protection, a comprehensive Medicare supplement policy may provide you with adequate coverage. More than likely, individuals who qualify for Medicaid do not need additional insurance. If you think you might qualify, contact your local social service agency.

Duplicate Coverage is Expensive and Unnecessary. Buy a comprehensive health insurance plan first. Make sure any cancer policy will meet needs not met by your major medical policy. You cannot assume that duplicate coverage will produce duplicate benefits. Many cancer policies advertise that they will pay benefits no matter what your other insurance pays. However, your major medical policy may contain a coordination of benefits clause or other non-duplicative provisions. To find out if you will qualify for benefits from both policies, carefully review the provisions of both policy contracts.

Some Cancer Expenses May Not be Covered by Cancer Insurance. Medical costs of cancer treatment vary. On the average, hospitalization accounts for 78 percent of such costs and physician services make up 13 percent. The remainder goes to other professional services, drugs and nursing home care. Cancer patients often incur large medical expenses and non-medical expenses in connection with their treatment. Many times, incurred expenses exceed benefits provided by cancer and/or specified disease coverage. However, some individuals (especially those with a strong family history of cancer or other dreaded diseases) feel

more secure with supplementary type coverage provided by cancer and other specified disease policies. Regardless, it is important to know and understand policy provisions, limitations and claim requirements.

Don't be Mislead by Emotions. While three in 10 Americans will get cancer over a lifetime, seven in 10 will not. In any one year, only one American in 250 will get cancer. However; keep in mind that individuals with a strong family history of a specific disease may be more at risk in developing that disease. Consequently, cancer insurance and/or specified disease coverage may appeal to those individuals.

Cancer Insurance is not a Substitute for Major Medical Insurance

Cancer treatment accounts for about 10 percent of U.S. health expenses. In fact, no single disease accounts for more than a small proportion of the American public's health care bill. Remember, cancer insurance and other specified disease type policies are no substitute for comprehensive health insurance coverage. However, as indicated above, they can provide valuable supplementary benefits in some instances. Generally, if benefits are not assigned, they may be paid directly to you.

The highest health insurance priority should be the purchase of comprehensive health insurance coverage. If additional supplementary coverage is needed or desired, cancer insurance and/or other specified disease may help solve those needs.

Before you purchase cancer insurance:

- Find out what coverages are available under your present health care policy if you are diagnosed with cancer.
- If you do not presently have comprehensive health insurance coverage, you should consider obtaining that coverage.
- If you are on Medicare, consider purchasing a Medicare supplement policy.
- If you are on Medicaid, you probably do not need any other health insurance.
- If you decide to consider cancer insurance, shop around for the policy that best meets your needs at the most affordable premium rate.
- Make sure you read and understand the policy.
- There are a few questions you should ask before purchasing a cancer insurance policy.
 1. What is covered and what is not covered by the policy? For example: hospital stays, prescriptions and medicine, surgery, doctors' visits, radiation and chemotherapy treatment.
 2. Is there any coverage for related medical problems, such as infections, diabetes and pneumonia that can result from cancer or the treatment of cancer?
 3. Are the insured's travel expenses covered? Will travel expenses of a companion be covered?
 4. Will the benefits provided by your other health insurance policies be reduced or impacted?

Types of Cancer Insurance Policies

Expense Incurred Policy – pays a percentage for all expenses listed up to the benefit or policy's maximum dollar limit.

Indemnity Policy – is similar to an expense incurred policy. It pays for all benefits listed; however, it places a fixed dollar limit on each individual benefit allowed and the benefit amount is not related to the actual expense incurred.

First Diagnosis or First Occurrence Cancer Policy – pays a lump sum upon the first diagnosis of cancer. The benefit under the policy may be any amount, for example \$2,000, \$5,000, \$10,000 or even \$100,000. Benefits cannot be denied due to pre-existing conditions if the cancer is diagnosed after the effective date and applicable waiting period. However, they may contain longer waiting periods than traditional cancer policies. Read the policy carefully to fully understand the benefits and policy limitations.

Policy Benefits

Cancer policies sold today vary widely in premium cost and coverage. Since cancer policies differ in the benefits provided from policy to policy, be sure to read the contract carefully and understand exactly what benefits are being offered. Also, be aware that some cancer policies do not cover all types of cancer. For example, some policies may specifically exclude coverage for skin cancer. Also, some cancer or specified disease policies will not pay benefits unless you are confined in a hospital.

Most cancer policies will provide some benefits for:

- Hospital room and board;
- Treatment by a legally qualified physician;
- Private duty nursing care while hospital confined;
- Surgery and anesthesia;
- X-ray, radiation therapy, chemotherapy and other therapy procedures used in the treatment of cancer;
- Licensed or professional ambulance service to and from the hospital;
- Blood and blood plasma for transfusions;
- Prescription drugs and medicines recognized by the Food and Drug Administration as medically effective if administered during a hospital confinement.

Some newer cancer policies provide benefits for outpatient treatment; however, many older policies do not. If you have not yet selected a cancer insurance policy, it may be wise to consider one that provides additional benefits for outpatient treatment. Many cancer treatments are now being provided on an outpatient basis and new initiatives are being put into place each day.

Policy Limitations

Review and study your policy. It is important for you to understand your rights, obligations, what is covered and what is not covered. Some common limitations are:

Some policies may limit benefits to treatment received in an inpatient / hospital confinement setting. Today cancer treatment, including radiation, chemotherapy and some surgery, is often given on an outpatient basis. Because the average stay in the hospital for a cancer patient is only 13 days, a policy that restricts benefits to inpatient care and treatment may not meet your needs.

Many policies promise to increase benefits after a patient has been in the hospital for 90 consecutive days. However, since the average stay in a hospital for a cancer patient is 13 days, large dollar amounts for extended benefits have very little value for most patients.

Many cancer insurance policies have fixed dollar limits. For example, a policy might pay only up to \$1,500 for surgery costs or \$1,000 for radiation therapy, or it may have fixed payments such as \$50 or \$100 for each day in the hospital. Others limit total benefits to a fixed amount such as \$5,000 or \$10,000.

Cancer or dreaded disease diagnosed or suspected prior to the application date may not be covered. Always review the terms of the application and policy, and always answer all application questions completely and truthfully.

Most cancer insurance policies do not cover cancer-related illnesses. Cancer or its treatment may lead to other health problems, such as infection, diabetes or pneumonia.

Many policies contain waiting periods and/or time limits. Some policies require waiting periods of up to 30 days. If cancer is diagnosed during the waiting period, you may not be covered. Also, depending on contract provisions, benefits may cease after a period of time (such as two or three years).

Diagnosis - Most insurance companies require a pathology report (usually obtained from a tissue sample or biopsy) to verify the diagnosis of cancer. If a biopsy cannot be performed due to medical reasons, a clinical diagnosis may be acceptable.

Renewability - Some cancer policies are guaranteed renewable and may not be canceled by the company. Others are renewable at the company's option.

Consumer Tips

- Shop around. Compare plans from more than one company. Do not feel pressured to make a quick decision.
- Ask questions.
- Verify that the agent and company you choose to do business with are licensed in North Carolina.
- Make sure you fully understand any policy you are considering and that you are comfortable with the company, agent and product.
- Ask a family member or trusted friend to review the policy. Sometimes, another pair of eyes can be of great assistance in spotting items for further questioning.
- Do not sign an insurance application until you review it carefully to be sure all answers are complete and accurate.
- DO NOT PAY CASH. When you purchase a policy, make your check or money order payable to the insurance company, NOT THE AGENT. Be sure to get a receipt.
- READ YOUR POLICY and keep it in a safe and secure place.
- Keep in mind that you have a 10-day “free look” period in case you change your mind. If you cancel during the free look period, the company must return your premium without penalty.
- Make sure all claim forms are filled out promptly, completely and accurately.

How to Reach Us

You can reach the North Carolina Department of Insurance (NCDOI) Consumer Services Division at:

800-546-5664 (toll free)
919-733-2032 (locally or outside of North Carolina)
919-715-0319 (TDD) Telephone Device for Deaf Caller
919-733-0085 (Fax)

You can find additional information including our complaint form on the North Carolina Department of Insurance Web site at www.ncdoi.com.

The address for the North Carolina Department of Insurance, Consumer Services Division is:

Consumer Services Division
North Carolina Department of Insurance
1201 Mail Service Center
Raleigh NC, 27699-1201

Related Publications Available from the NCDOI and its Web Site

A Consumer's Guide to Health Insurance
Getting Off to a Good Start with Medicare
Medicare Charges and Options
Medicare + Choice Comparison Guide
Medicare Supplement Comparison Guide